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Warehouse Facilities of Common Carriers

HEARING

BEFORE THE

COMMITTEE ON INTERSTATE COMMERCE
UNITED STATES SENATE

SIXTY-SIXTH CONGRESS

SECOND SESSION

ON

S. 3183

A BILL AUTHORIZING AND DIRECTING THE INTERSTATE COMMERCE COMMISSION TO CONDUCT INVESTIGATIONS AND MAKE ORDERS RELATING TO WAREHOUSE FACILITIES OF CERTAIN COMMON CARRIERS AT CERTAIN PORTS

Printed for the use of the Committee on Interstate Commerce

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WAREHOUSE FACILITIES OF COMMON CARRIERS.

SATURDAY, MARCH 20, 1920.

UNITED STATES SENATE,
COMMITTEE ON INTERSTATE COMMERCE,
Washington, D. C.

The committee met at 10 o'clock a. m., pursuant to call of the chairman, in the committee room, Capitol, Senator Albert B. Cummins presiding.

The committee had under consideration the following bill:

A BILL Authorizing and directing the Interstate Commerce Commission to conduct investigations and to make orders relating to warehouse facilities of certain common carriers at certain ports.

Be it enacted, etc., That the Interstate Commerce Commission is hereby authorized and directed to investigate the warehouse facilities of the various common carriers by railroad at the several ports on the Atlantic, Pacific, and Gulf coasts at which such carriers have trackage, for the purpose of determining whether each of said carriers has warehouse facilities proper and adequate for the prompt and efficient handling of all grain and grain products transported by such carrier to such ports for export.

SEC. 2. That in making such investigation public hearings shall be held, of which interested parties shall be given notice and at which they shall have an opportunity to be heard.

SEC. 3. That if, upon such investigation, it shall be found that such warehouse facilities of any such carrier or carriers are not adequate for the purposes mentioned, then and in that event said commission is authorized and directed to determine what new facilities or additions to existing facilities will be reasonably necessary for such purposes and to make proper orders requiring said carrier or carriers to erect such new warehouses or to make such additions to existing warehouses as are so determined to be necessary.

SEC. 4. That the said commission shall have authority to fix reasonable charges for the storage of grain and grain products in all such warehouses owned or operated by such carriers.

The CHAIRMAN. Gentlemen, I will say that we will not able to secure a full attendance of the members of the committee this morning as they are rather exhausted from their work during the last few weeks; but this testimony will be reduced to writing so that it will be at the service of the committee.

Mr. Jacobson, will you open up the matter and take charge of the presentation of the testimony?

STATEMENT OF O. P. B. JACOBSON, MEMBER OF THE STATE WAREHOUSE COMMISSION OF MINNESOTA.

Mr. JACOBSON. Mr. Chairman and members of the Senate Committee on Interstate Commerce, we are here representing the State of Minnesota to urge in behalf of the people of our State that your honorable body give its approval and your substantial support to a

bill by Senator Knute Nelson, which is now before you. This bill, in brief, prepares a way for providing adequate facilities at the seaports of the United States for receiving, storing, handling, and shipping grain and grain products. In recent years it forcibly has been brought to the attention of all persons connected wth or dependent upon our transportation system that there is something radically wrong somewhere. There is something in the big machinery that does not function properly and in harmony with the other component parts. This has become apparent through the repeated series of so-called "freight congestions," "car famines," and "car shortages," resulting in the establishment of various embargoes on transportation, the use of preferential lists and other devices for alleviating various acute and instant conditions.

My personal investigations and study have convinced me that the weak spot or weak link in our transportation system is to be found in the lack of adequate and proper storage facilities for grain and grain products at the principal Atlantic ports, from which exports are made. I, personally, have seen in the New York terminal yards, at one time, thousands of grain-laden freight cars which had not been moved for weeks, and which were held many weeks longer before they could be unloaded. Could those cars have been unloaded with reasonable dispatch and promptly returned for transportation work, I sincerely believe that there would have been enough freight cars in every period of so-called car famines for the traffic needs of our country. Freight cars are not built for storage purposes, and when so used transportation facilities are thereby hampered. A car which makes but one trip from the interior grain markets to tidewater instead of six or eight is but fulfilling a very small part of its purpose. When thousands and thousands of cars are thus improperly used the situation becomes a menace to public transportation and may produce a national calamity.

We have had many experiences with so-called car famine and grain and flour embargoes in the Northwest and have not only been hampered in conducting our industries but have sustained serious monetary losses. It is for this reason that we are deeply interested in any movement which will bring relief. This matter is a live question in the Northwest. The legislature of Minnesota by joint resolution has approved the purpose of Senator Nelson's bill some time ago, and the Minnesota Agricultural Society in its annual meeting adopted resolutions demanding the improvement in the transportation facilities of the country. Three weeks ago the Farmers' Grain Dealers Association of Minnesota adopted resolutions specifically urging the passage of the Nelson measure, and similar resolutions have been adopted from time to time by other bodies.

This indicates that the subject is one of live interest and concern to the Northwest, and gives evidence of the state of public opinion on this matter.

Mr. Chairman, three years ago at the national association's annual meeting held in Washington, the car shortage was one of the problems before the National Railway Public Utilities Commissioners, and at that meeting a committee was created with Commissioner Funk, of Illinois, as chairman, and I was a member of that committee. At the next annual meeting a report was sent out by the

chairman of the committee; I did not sign that, but we had a minority report, because I had traveled and paid out good State money and had investigated what the shortage really was. The next year I was appointed chairman of that car-shortage demurrage committee, and I have been its chairman for two years, and I have made a study of the transportation facilities of the United States.

The next year our National Association of Railway Utilities Commissioners adopted my report, signed by the other members unanimously. I have copies of that report here and will be glad to submit it to the committee.

Senator KELLOGG. I imagine that that ought to be put into the record.

The CHAIRMAN. Yes; that will be inserted in the record.

Mr. JACOBSON. I will read the elevator capacity at the seaboards.

Senator KELLOGG. You may just have it put into the record. You do not need to read it.

Mr. JACOBSON. It will probably be interesting to you to know what it is.

The CHAIRMAN. Anything that you desire will be put into the record and it will be read by the members of the committee.

(The paper referred to is here printed in full, as follows:)

EXTRACTS FROM REPORT OF THE COMMITTEE ON CAR SERVICE AND DEMURRAGE, NATIONAL ASSOCIATION OF RAILWAY AND UTILITIES COMMISSIONERS, 1918.

W. C. Kendall, manager of the Car Service Section, Division of Operation, United States Railroad Administration, informed this committee that he believed the general situation with reference to grain and coal had been quite satisfactory. Efforts had been made to increase the rolling stock by constructing additional cars, but particularly by repairing damaged cars. This latter was regarded as of the utmost importance, as thousands of cars which are but slightly defective and could be used to advantage often are unduly delayed because of lack of repairs. Mr. Kendall further stated that there had been cooperation between various Federal bodies more or less intimately connected with transportation and that there was a complete understanding of purpose. Special efforts had been made at the ports of the Atlantic seaboard to get them in position for the expeditious handling of all commodities so as to prevent their congestion. Orders had been given that no grain or flour or other commodity should be shipped to any Atlantic port without a permit from a responsible Federal agent and that no permit to ship would be issued unless assurance was given that the shipment would be promptly received and unloaded upon its arrival at destination.

Mr. Kendall as well as other Federal officials, notably C. E. Spens, Director of Inland Traffic for the United States Food Administration; Julius H. Barnes, head of the Grain Corporation; Col. Frederick B. Wells, in charge of the overseas shipments of the Quartermaster Department of the United States Army; while speaking optimistically of the past, present, and future of the Federal Administration of railroads, frankly confessed to the chairman of this committee, Commissioner O. P. B. Jacobson, of Minnesota, that admirable as the entire transportation system appeared to be and capable as was its management there is one weak link in the chain.

They agreed with the statement of Mr. Jacobson that the deficiency of elevator capacity on the Atlantic seaboard caused the so-called "car famine" of 1916. They also admitted that a like lack may produce a similar famine at any time, in spite of the elaborate precautions that have been taken by the Government. It is well worth the attention of the association, and unless the Government already has taken active steps to supply the deficiency in grain-storage facilities upon the Atlantic seaboard, it should exert its influence in every way possible to obtain this result.

A very brief review of the conditions in 1916 and their causes will not be amiss in a discussion of this subject. Industry and commerce were disorganized thoroughly by what was termed a "car famine," and a deficiency of hundreds of thousands of cars was reported. Thousands of bushels of grain were brought to market and, for lack of elevator space or empty cars, were dumped on the ground, subject to damage and destruction by the elements; mills and mines were closed through failure to obtain fuel; shipments of raw materials to factories were delayed, not weeks but months, and they were compelled to shut down for longer or shorter periods. Workers were thrown out of employment. Their incomes were reduced and, of course, their buying power. All retail merchants suffered in their business. When the East and all Europe were clamoring for flour and grain, every flour warehouse in the Middle West was bursting with flour and every grain elevator was full to overflowing. Yet, while the East demanded grain and the West had plenty of it, there was an embargo on grain shipments. Such was the situation, as all will recall.

It was called a "car famine," but it was no shortage of cars which caused the congestion. There were cars in plenty for the legitimate demands of business, but they were not used for transporting freight. The car shortage was represented by freight cars filled with grain and fuel and used for storage purposes in countless freight yards from the Atlantic seaports to the far West. Records easily obtainable will show that thousands upon thousands of box cars remained idle in the yards of the eastern railroads at their terminals, not only for weeks, but actually for months, without a wheel being turned. The terminals were congested with cars of grain because the cars could not be unloaded upon their arrival; the cars could not be unloaded because the elevators at the port were full. The result was that the congestion backed up from the seaboard to the far West, almost paralyzing the entire railway network of the country. Had there been ample elevator capacity upon the Atlantic seaboard so that the cars of grain could have been unloaded promptly upon arrival and released again for transportation purposes, there would have been no cry of car shortage. It must, of course, be conceded that extreme climatic conditions intensified the congestion, but such interruption was of a temporary nature only, while the elevator shortage was continuous and prolonged.

In order that there may be a general appreciation of the limited elevator capacity at the terminals on the Atlantic seaboard as compared with other sections of the country, the following tables are appended:

Statement of licensed elevator capacities in the United States.

[Prepared by United States Food Administration, Inland Traffic Section].]

Zone.	Elevators, large cities.			Country elevators.			Total.			Square feet storage space.	Number companies listed.
	Cities.	Number.	Capacity.	Number.	Reported capacity.	Estimated capacity.	Number.	Reported capacity.	Estimated capacity.		
			Bushels.		*Bushels.*	*Bushels.*		*Bushels.*	*Bushels.*		
Baltimore	4	16	5,761,000	105	2,764,700	3,240,300	121	8,525,700	8,991,300	.....	18
Buffalo	1	29	25,363,000	205	2,805,700	3,485,700	234	28,168,700	28,848,700	.....	40
Chicago	2	55	42,782,000	1,705	77,758,772	85,956,332	1,760	120,540,772	128,738,332	.....	125
Duluth	2	19	32,470,000	1	10,000	10,000	20	32,480,000	32,480,000	.....	.....
Galveston	1	3	3,100,000	.....	.....	.....	3	3,100,000	3,100,000	.....	.....
Kansas City	3	31	21,469,325	2,754	37,883,538	44,151,761	2,785	59,352,863	62,621,086	.....	137
Minneapolis	4	62	41,281,000	6,210	241,407,760	273,035,040	6,272	282,688,760	314,316,040	.....	746
New Orleans	1	3	3,135,000	.....	.....	.....	3	3,135,000	3,135,000	.....	.....
New York City	3	20	15,050,200	134	2,031,100	2,666,600	154	17,081,300	17,716,800	.....	27
Omaha	3	22	5,657,750	1,195	95,823,400	98,123,400	1,217	101,481,150	103,781,150	.....	28
Philadelphia	8	61	19,045,600	2,508	45,640,295	48,904,670	2,569	64,685,895	67,950,270	.....	172
Portland	3	19	2,492,000	1,033	32,904,148	36,711,248	1,102	35,396,148	39,203,248	6,832,300	89
St. Louis	7	40	7,981,520	1,312	31,371,418	42,896,218	1,352	39,352,938	50,877,738	.....	314
San Francisco	1	8	1,300,000	392	25,859,112	25,859,112	400	27,159,112	27,159,112	6,929,000	.....
Total	43	388	226,888,395	17,004	596,059,943	662,030,381	17,992	822,948,388	888,918,776	13,761,000	1,696

NAME, LOCATION, AND CAPACITY OF TERMINAL ELEVATORS ON ATLANTIC SEABOARD.

Portland, Me.:		
Grand Trunk elevators Nos. 1 and 2	bushels	2,500,000
Grand Trunk sheds	tons	15,000
New York, N. Y.:		
New York Central, N. Y	bushels	800,000
New York Central West Shore No. 7, Weehawken, N. J	do	1,500,000
New York Central West Shore No. 8, Weehawken, N. J	do	700,000
Pennsylvania R. R., Jersey City, N. J	do	1,000,000
Erie R. R., Jersey City, N. J	do	1,000,000
Lehigh Valley R. R., Jersey City, N. J	do	885,000
Lehigh Valley grain boats and lighters, Blacktown, N. J	do	450,000
Boston, Mass.:		
Hoosac Terminal Elevator, Boston & Maine R. R	do	750,000
Mystic Wharf, Charleston, Mass	do	350,000
Grand Junction elevator, East Boston, Mass	do	1,000,000
Philadelphia, Pa.:		
Pennsylvania R. R	do	2,250,000
Philadelphia Grain Elevator Co	do	250,000
Keystone elevator and warehouse	do	500,000
Philadelphia & Reading R. R., Port Richmond	do	1,500,000
Baltimore, Md.:		
Baltimore & Fidelity Warehouse Co		
Baltimore & Ohio R. R., Locust Point	do	2,500,000
Pennsylvania R. R. Co	do	500,000
Western Maryland R. R., Port Covington	do	2,000,000
Newport News, Va.: Chesapeake & Ohio R. R	do	950,000
Norfolk, Va.: Norfolk & Western	do	100,000
Total	do	21,505,000

The foregoing summary is somewhat misleading, as the "zone" includes much more than the port. For instance, Philadelphia zone comprises eight cities with 61 elevators, having nearly 20,000,000 capacity. As a matter of fact, there are but four elevators at the port of Philadelphia and their maximum capacity is 4,500,000. This is but "paper" capacity, for the reason that the practice of providing separate bins for various grades of grains prevents the filling of bins to anywhere near the limit and rarely does a terminal elevator contain more than half of its theoretical capacity. The seven grain export cities of the Atlantic seaboard, namely: Portland, Me., Boston, New York, Philadelphia, Baltimore, Newport News, and Norfolk, have an elevator capacity of 21,485,000 bushels of grain. In actual commerce the aggregate capacity available for use, would be less than 11,000,000 bushels. Such figures speak for themselves. The total estimated capacity of all the elevators in the country is 888,000,000 bushels.

It must be remembered that on account of the concentration of ocean transportation from the Atlantic seaboard and the Gulf ports to the allied and neutral countries, which almost eliminates export to these countries from Australia, Argentina, and the western ports because of scarcity of tonnage, the overseas movement of grain and flour from the Atlantic seaboard will be greater and moreover constantly will increase as our Army in France grows in numbers. Federal officials estimate that the Government will provide bottoms for transporting supplies at the rate of 1,000,000 tons a month. Fully 80 per cent, or about 800,000 tons, will consist of grain and flour. This rate must be kept up for some time, probably for years. The end of the war will not see the close of this immense overseas movement, for none of the countries now at war will be self-sustaining for many years to come, and the United States will be called upon to supply their food until they have restored their respective lands to the former standards of production.

It is therefore, more than ever, imperative that the transportation system must be so provided that any ordinary difficulty or obstruction will not throw the entire system out of order. A scarcity of elevator space combined with climatic conditions and lack of bottoms precipitated the transportation crisis of 1916. The elevator capacity on the Atlantic seaboard has been reduced since that time through the destruction of several houses by fire. No effort has been made to rebuild the destroyed houses nor to construct additional ware-

houses. Your committee is convinced that railroad managers realized there should have been greater elevator capacity at their terminals but it is well known that the railroads, in expectation of Government conscription, have indulged in little or no construction work for some years past, and this may explain why they have not strengthened the extremely weak link in their system.

Probably it is idle to attempt to interest private capital in constructing elevators at the port terminals at the present time, as there are too many other opportunities for investment which are more attractive. There is no other recourse, in the opinion of this committee, than to request and urge that the Government provide greatly enlarged railway facilities at all the sea ports, whether on the Atlantic or the Gulf, where such facilities are inadequate. It is the duty of railroads to unload their freight in less than carload lots. For that purpose they build freight warehouses at all terminals. Grain is freight and the grain elevator merely is a grain warehouse. There can be no objection to a recommendation by this association that the United States Railroad Administration, as custodian of the railroads, provide adequate facilities at the ports for handling this extremely important commodity. Whether the Government shall operate such elevators or not is of little concern, as we have assurance that private grain interests readily and promptly will arrange to relieve the Government of this responsibility and pay the expense of upkeep in operation.

Your committee, therefore, suggests that this association recommend that the Government, through such agency as may be deemed advisable, cause to be erected at such points as may be found suitable, a number of elevators of sufficient capacity to handle the shipments of grain advantageously, and that a committee be appointed to present this matter to the proper authorities.

Yours, respectfully,

O. P. B. JACOBSON, *Minnesota*, *Chairman*,
ALEXANDER FORWARD, *Virginia*,
J. T. BOIFEUILLET, *Georgia*,
B. A. ENLOE, *Tennessee*.

Mr. JACOBSON. The fact is, gentlemen, that at Portland, Me., Brooklyn and New York, Boston, Philadelphia, Baltimore, Newport News, and Norfolk, they have really only a capacity of between ten and eleven million bushels. On paper they have about 21,000,000, but when you take the different varieties of grain, they really have only about ten or eleven millions bushels capacity for hauling grain. The flour warehouse is in such condition that the present flour made by our millers in the Northwest lay in the open piers in New York and Brooklyn for months, absorbing all the moisture from the Atlantic Ocean. Two years ago, when I made the investigation, Consul Hobe at St. Paul stood at Pier 36 Brooklyn, when one of the Norwegian American Line steamers had left. It was piled up; thousands and thousands of flour sacks from the Northwest. I asked the consul, "How long has this flour been left here open on this pier?" He made the statement that some of that flour had been practically laying there 90 days. I said, "Consul, do you mean to tell me that that flour has been allowed to lay here on the pier that long, absorbing all this dirt and moisture?" He said, "Yes; we can not help it; we have no other place." I went up to—in Brooklyn to Eighty-six Street—that has been built up, say, within 25 years; there are a great many warehouses on the piers, up to Eighty-six Street, and I have investigated nearly every pier in that locality, and I find the same conditions. So very often when this flour finally is loaded into the steamers it arrives on the other side in that condition and our millers and our grain men are given the black eye on the other side because the grain and the flour arrives in such a condition.

I am here to protect not only the producer of grain and the elevator men but also the millers of the United States, because they have been suffering a great deal in the last few years from that condition. Take the situation on the North River in New York; all the way up that same condition prevails—the open piers, and the flour laying outside.

The CHAIRMAN. Do you mean to say it is out in the open piers?

Mr. JACOBSON. It is out in the open piers.

The CHAIRMAN. Not in a covered warehouse?

Mr. JACOBSON. In Brooklyn it was stated there was a shed over the pier, but all the shed doors are open, so the flour absorbs all that fog and moisture that comes from the Atlantic Ocean.

Now, when you take the elevator capacity in New York you will find there is hardly any capacity. Forty years ago, when I used to take grain out of New York as a sailor and first officer of a ship, we had in the Atlantic dock and Erie Basin 7 or 8 elevators, and we had in New York about 18 grain elevators at that time.

Senator POMERENE. Where were the seven or eight?

Mr. JACOBSON. Down in the Atlantic dock and Erie Basin, and to-day there is hardly anything, except what is printed in that paper. [Indicating.] I have been to New York and visited the grain-inspection department and talked with the old inspector, who has been grain inspector there for 40 years, Mr. George White, and he has told me time and again that the condition is simply so bad that at times he does not know what to do on account of the Lehigh Valley, New York Central, Delaware, Lackawanna & Western, Pennsylvania, and Baltimore & Ohio tracks being filled up with cars.

Senator KELLOGG. As I understand, the trouble so far as the wheat shipments are concerned, it is this, that that grain is mostly, and must be, loaded from cars to lighters and from lighters to the steamships. It is therefore packed up many times on the tracks for weeks during the busy shipping season?

Mr. JACOBSON. Yes, sir.

Senator KELLOGG. And instead of being put into the elevators at the terminal, it is loaded into ships as the ships come in to take it. It remains in the cars until it is transferred to the lighters—that is, a large part of it.

Mr. JACOBSON. Yes, sir; that is right.

Senator KELLOGG. Now, take the shipments of wheat from the winter-wheat country; they are made to New York or Boston or wherever they go, mostly to New York, Boston, and Portland, during the months of September, October, and November.

Mr. JACOBSON. Yes, sir.

Senator KELLOGG. Then there are no more shipments of any account until after May?

Mr. JACOBSON. Well, there is from the Northwest, Senator.

Senator KELLOGG. I say, there is no more shipment to the seacoast; that is, not much?

Mr. JACOBSON. Oh, yes, sir; I did not answer literally because I thought you probably knew exactly the situation, but I have a letter here from a grain-elevator man in Minneapolis that I will file with you, which states that two-thirds of the grain that was exported or shipped out of Minneapolis is shipped from the fall to the month of May.

Senator KELLOGG. Oh, certainly; but most of that is shipped in the fall.

Mr. JACOBSON. It is shipped from our territory.

Senator KELLOGG. But mostly in the fall; that is, most of the shipments?

Mr. JACOBSON. In the wintertime.

Senator KELLOGG. Most of it is in October and November?

Mr. JACOBSON. Not the heaviest shipments. They come during all this time up to May. We have at this time 12,000,000 bushels of rye in Duluth; that is, we take shipments for export to Boston and Philadelphia and those ports, but they can not get it out—that is, rye alone.

Senator KELLOGG. Does that go by rail?

Mr. JACOBSON. That goes by rail. Now, we have got to get away from one thing, and that is, we are only looking for wheat because our grain department is coarse grain. That is the idea. We have 12,000,000 bushels in Duluth, and the Grain Corporation has in Minneapolis at this time 2,000,000 bushels of low-grade wheat that is sold for export, and it has been impossible to get it out at this present time, besides all the other.

Senator POMERENE. Why would it not be a very much better remedy to provide for the widening and deepening of this canal, so that the ocean steamers can get down the canal?

Mr. JACOBSON. You mean the Weyland Canal?

Senator POMERENE. Yes.

Mr. JACOBSON. I think that would be the right thing to do. I have written an article on that.

Senator POMERENE. It ought to be done.

Mr. JACOBSON. I have written an article on it. We have with us Col. Wells, who you know very well. He handled the grain for the Government during the war, and while I was in Washington, about a year and a half ago, I had a conference with him, and he was very much interested in our work. Then I had a conference with Mr. Hines and Max Thelan and Mr. Chambers, together with some other representatives from the Northwest, and they were very much interested in this bill, because they have had experience, they said. At that time, of course, the bill first read that the Government was to build these elevators, but, of course, as the railroads have gone back to private owners, they will have to furnish the facilities.

There has been opposition to this bill by certain parties. I think Senator Kellogg has probably heard some of it. One criticism was "How are the railroads going to get this money back?" The bill itself provides for that. The idea is that they are to be as close to the State low elevators as possible where the storage will be charged, and they will get their money back in that way.

Take the Northwest, for instance. The Great Northern Railroad has its own elevators from Seattle to the town of Superior. The northwestern railroads have their dock elevator in Chicago, and they built a very large one in Milwaukee last year. So the middle west railroads have done a great deal to help the situation, and we have been able to take care of the grain, but, money being high now, we can not store all that grain. We have in Minneapolis a capacity of 52,000,000 bushels, and we have in Duluth a capacity

of 32,000,000 bushels, and at Superior, I think, 28,000,000 bushels. When you compare that with the principal seaboards of the Atlantic, with only a capacity of between 10,000,000 and 11,000,000 bushels, you can see what we are up against with our cars during the heavy season of shipment.

Col. Wells would like to have been present here to-day, but said, "If I can not be present at the Senate hearing—I am a very busy man—I will probably be able to be with you at the House committee hearing." "But," he said, "I will write you a letter and I want you to present it to the Senate committee." I shall be pleased to introduce that letter if you desire to have it, and I will be glad to read it if you desire to hear it.

The CHAIRMAN. It will be incorporated in the record.

(The letter referred to is here printed in full, as follows:)

MINNEAPOLIS, MINN., *March 13, 1920.*

RAILROAD AND WAREHOUSE COMMISSION,
State Capitol, St. Paul, Minn.

GENTLEMEN: My attention has been called to House file No. 10453, now being considered by Congress.

As a result of my experience in the Army during the war, I am deeply interested in any legislation which would tend to foster the development of adequate terminal facilities at Atlantic ports. As director of storage for the Army, among other duties, I was charged with the responsibility of collecting at the ports for shipment overseas all of the supplies required by the American Expeditionary Forces. The volume of tonnage moved amounted to about 50,000 carloads monthly and was distributed among practically all of the ports from Boston to New Orleans.

Throughout our operations we were seriously embarrassed by the lack of proper terminal warehouse facilities, and as a result of inadequate terminal facilities many thousand box cars were constantly in use for storage purposes, and this at a time when cars were urgently needed.

Through my intimate connection with the distribution problem referred to above, I became impressed, first, with the necessity of adequate terminal facilities for the handling of export freight of all classes; secondly, with the tendency of shippers to hold freight in cars on track pending the arrival of ocean tonnage, in order to avoid storage and handling charges.

As you doubtless know, the War Department constructed at a number of the Atlantic ports and at New Orleans warehouses and piers for the handling of Army supplies. In most instances these improvements were of a permanent nature and when the appropriations covering the cost of construction were secured Congress was advised that it was the intent to make these facilities available for commercial use during times of peace.

So far as I know, the facilities in question are still utilized by the War Department for the storage of surplus supplies, which, in my judgment, is an absolutely unwarranted and wasteful procedure.

With regard to facilities required I might say that not only should warehouses adjacent to and connecting with piers be available for the handling of all sorts of package freight, but modern elevators so located as to permit direct loading into ships are also needed at many of the Atlantic ports. If proper facilities should be provided it would still be necessary to enforce some regulation as to the result of which shippers would be obliged to unload into storage all overseas freight for which ocean tonnage was not available upon the arrival at port. As before stated, there is a marked tendency on the part of shippers and ocean transportation companies to use box cars for storage purposes pending the arrival of ocean tonnage. My investigation last year lead me to believe that this practice has always existed and that it has obviously led to the curtailment of the supply of box cars at times when they are most urgently needed for the movement of our crops, both for domestic and export shipment.

I am strongly in favor of the provisions of House file No. 10453, as a result of which the Interstate Commerce Commission would be required to investigate all complaints as to inadequate terminal facilities, and in event such complaints should be found warranted that the carriers should be required to furnish such facilities as prove necessary in order to permit the prompt unloading of export

freight and the return of empty cars to the interior. The need of proper storage and loading facilities at our Atlantic ports is so evident to any unbiased observer that I fail to see how House file No. 10453 can meet with any opposition.

If I can be of any assistance to you in facilitating the passage of the legislation in question do not hesitate to advise me.

Respectfully,

FREDERICK B. WELLS.

Mr. JACOBSON. At a meeting held by the State agricultural society on January 16, 1920, in Minnesota, a resolution was introduced and is signed here by Thomas H. Canfield, secretary and general manager of the Minnesota State Agricultural Society. I should like also to introduce that resolution into the record.

The CHAIRMAN. That will be inserted in the record.

(The resolution referred to is here printed in full, as follows:)

RESOLUTION ADOPTED BY MINNESOTA STATE AGRICULTURAL SOCIETY, JANUARY 16, 1920.

Whereas one of the issues vitally concerning the farmers of the State of Minnesota is the annual railroad car shortage, just at the time of year when the agricultural products of the State are ready to be marketed; and

Whereas the State Railroad and Warehouse Commission has discovered that this shortage is due in the main to the congestion of cars that remain unloaded for weeks at the principal seaboard terminals on the Atlantic coast, because of inadequate storage and handling facilities; and

Whereas after many years of agitation on the part of the Minnesota Railroad and Warehouse Commission, Congress is about to take action remedying this condition, in bills now before that body, fathered respectively by Hon. Knute Nelson in the Senate and Hon. Sydney Anderson in the House, directing the Interstate Commerce Commission to adopt means for obtaining the necessary facilities for handling and storing upon the Atlantic seaboard agricultural export commodities; and

Whereas Senator Frank B. Kellogg, a member of the Senate Committee on Interstate Commerce, is arranging for a general public hearing on these bills and is desirous that Minnesota be represented by a strong representative committee at this hearing: Therefore be it

Resolved, That the State Agricultural Society of Minnesota unqualifiedly indorse the purpose of the bills now before the National Congress and that a representative of this society be appointed to be a member of such committee from this State to go to Washington to be present at the hearing of the bills proposed to correct the so-called car shortage.

Attest:

THOMAS H. CANFIELD,
Secretary-General Manager.

Mr. JACOBSON. At the grain dealers' association meeting held in Minnesota—Mr. Charles Kenning is present here—resolutions were also introduced requesting that the railroads build these elevator capacities, and I would like to have these resolutions inserted in the record.

The CHAIRMAN. They will be inserted in the record.

(The resolutions referred to are here printed in the record, as follows:)

RESOLUTIONS.

1. We appreciate the splendid entertainment given us by the ladies' band, of Starbuck.

The program of the convention has been materially enriched by their splendid music and songs and we desire to thank them heartily for their presence with us and their entertainment, and trust we may have them with us at future conventions. Carried.

2. We want to thank the officers of this association for their untiring efforts in making a success of this convention as well as for their splendid work during the year for the association. Carried.

3. We desire to thank the West Hotel for their courteous entertainment, the speakers on our program for the splendid efforts they have made in assisting in making the sessions interesting and instructive, the delegates for their attendance, and all who have contributed to the success of our convention. Carried.

4. We strenuously protest against any arbitrary reduction in the prices of farm products unless there be a similar arbitrary reduction in the prices of other commodities at or near the same time. Carried.

6. We are in favor of the passage of legislation which will provide for the return of the railroads to their owners as quickly as possible, and which will permit operation by said owners, under the supervision of the Interstate Commerce Commission and the State Railroad Warehouse Commission as their power existed before the war.

7. Whereas the name of our national organization is often confused with other organizations which use the name national council: Therefore be it

8. *Resolved*, That we favor changing the name of our national council to the American Farmers' Grain Dealers' Association.

Resolved, That we instruct our delegation to favor the reorganization of the national council on a firmer foundation.

Whereas the United States is facing a transportation crisis unequaled in the history of the Nation, yet notwithstanding the shortage of freight cars, they are being used in the East for storage of grains at a nominal rate of demurrage because of lack of storage facilities: Be it

Resolved, That we indorse the Nelson and Anderson bills now before Congress that will compel the carriers to provide elevator space for grains and warehouse capacity for flour at seaports and demand immediate enactment of this legislation.

10. The Interstate Commerce Commission has under consideration the issuance of new grain rates that are rankly discriminatory against the Northwest, and will cost every grain grower at least 5 cents a bushel on every bushel raised; that will greatly increase the cost of mill feeds to the dairymen; that will deprive much of the northwestern wheat of its natural market—Minneapolis—diverting it to Chicago and points east, thereby making new financial connections by farmers' elevators necessary, and adding to their cost of doing business on account of the longer time money for advances will be held out of use: Be it

Resolved, That this convention ask and petition that the temporary suspension of these rates now in effect be made permanent.

11. Whereas the eight-hour day for farm labor is, owing to the seasonal character of the work, economically impossible, and the existence of such hours in other lines of industry makes difficult obtaining of farm labor: Be it

Resolved, That during the present crisis in production union labor should forego the eight-hour day, to the end of bringing about cheaper living costs for the city worker.

12. Whereas the farmers of the United States produced to the utmost during the war without thought of length of the day's work, while labor was asking and receiving high wages for short hours: Be it

Resolved, That it is now time for labor to do what farmers did—produce to the utmost in order that prices of manufactured articles that farmers must buy may be reduced to meet the reduction in the prices of products of the farm that has been to a great extent forced in the so-called interest of the consumers but in reality to enable food handlers to more easily exploit the farmer and food buyers.

13. Whereas the operation of the present Federal grades cost the producers of the Northwest millions of dollars in the handling of the low quality 1919 crop: Be it

Resolved, That this convention demands the immediate reopening of the matter of grades, to the end that a fairer and more equitable system be put in force before the 1920 crop begins to move.

B. M. ANDERSON, *Chairman*.
E. E. EVENSON.
THEO. FREDERICKSON.

Mr. JACOBSON. And also a resolution approved by the State Legislature of Minnesota on April 17, 1917—that was when we first started.

The CHAIRMAN. That resolution will be inserted in the record.

(The resolution referred to is here printed in full, as follows:)

RESOLUTION NO. 3.

[A concurrent resolution memorializing the Congress of the United States to establish, operate, and maintain terminal elevators at all the railroad and marine terminals of the United States where grain is extensively handled.]

To the United States Senate and House of Representatives:

Whereas during the past two years the demoralization of the transportation systems throughout the United States has caused irreparable losses to the farmers and producers of grain; and

Whereas as a result of such demoralization there has been stored millions of bushels of grain in cars at the various terminals. Owing to the failure of such terminals to handle such grain, the transportation thereof has been very seriously delayed, causing the consumers great inconvenience and unnecessary increase in the cost of living, and in many instances actual suffering; and

Whereas the various railroad companies have failed in securing for the farmers and growers the necessary relief, although frequently urged to do so; and

Whereas in November, 1916, there was appointed by the National Association of Railway and Warehouse Commissioners a committee to investigate the car shortage and make a report thereon; and

Whereas said committee, after a careful and thorough investigation of the car shortage at the various terminals throughout the United States, found that thousands of cars at the leading terminals were used, not only for days and weeks, but months, for storage purposes, because of the inability and failure of the terminal elevators to take care of and handle the grain at destination: Now, therefore, be it

Resolved by the House of Representatives of the State of Minnesota (the Senate concurring), That we earnestly and urgently petition Congress to establish, operate, and maintain, terminal elevators at all the leading railroad and marine terminals of the United States where grain is extensively handled, firmly believing this to be for the best interests of all the people, including consumers and producers alike, and essential to the successful growing, transportation, and handling of grain throughout the United States.

Approved, April 17, 1917.

Mr. CHARLES KENNING. Mr. Chairman, I will also say that a similar resolution was passed this week at Chicago, at the Farmers' National Grain Dealers' Association.

Mr. JACOBSON. Now, in Philadelphia, some time ago, I had a meeting with the members of the commercial exchange, and I remember one grain man told me it was so bad there at times that the cars were standing on the tracks; that the congestion was so bad there that they had steamers waiting for grain, and one grain man had to pay $25,000 in demurrage just because he could not get the grain down to Philadelphia. The Philadelphia exchange is represented here so they can talk for themselves.

I would like to mention that at a recent hearing of the Committee on Merchant Marine and Fisheries, a gentleman was present from Galveston, Mr. Haines—of course, I have really nothing to do with this but I want to mention it anyway.

At Galveston, during the war, there was probably more grain shipped out than there used to be and Galveston has a capacity of about—well, I do not want to say 4,000,000 bushels, because it is

not quite that much capacity on account of the many varieties of grain, but let us put it at that. New Orleans has a capacity of about four or five million bushels; so that is really the capacity that there is in the Gulf ports for grain and grain products.

Our grain men of the Northwest are very much interested in this matter. I do not know of one of the elevator men from the large elevators down to the small farmer elevators all through the Northwest who have not written letters and had meetings. I have had meetings with them and they have asked for relief.

They believe that the only way we can get relief is to get our cars back. It is true that some people think it is the car shortage. I do not. I believe that there is a car shortage; there is no question about that, and also a power shortage; there is no question about that; but not as much as people really think or would think if they had seen what I have seen and know what I have investigated.

Mr. Haines made a statement—and I just want to let the people of the country know that the northwestern people—the people that are represented by you three Senators—are not crazy in everything.

Mr. Haines made a statement that all we knew out West was grain elevators for flour mills and broom factories, and to ask a man in the Northwestern States to buy ships they would be crazy; no such question was asked. In the State of Minnesota alone, in the Northwest, we have 8,500 stockholders in the Norwegian-American Steamship Line, of which I was one of the subscribers when it first started. As to the Swedish-American Line, we have also a great many of our northwestern farmers who are interested in those ships. So I want to have these people get away from that idea that we do not know anything except about flour elevators and broom factories. We probably know as much about ships as they do in Galveston.

Mr. Chairman, as far as the bill is concerned, that is all I have to say.

Senator POMERENE. Daniel Willard, president of the Baltimore & Ohio Railroad, in a statement which he made before this committee when we had the railroad legislation up, practically took the same position that you take, that the failure of the railroads to function was due to the lack of terminal facilities.

Mr. JACOBSON. Yes.

Senator POMERENE. Such as elevators and warehouses.

Senator KELLOGG. There is no doubt that that is true of the Atlantic Seaboard, and has been for a great many years.

Mr. JACOBSON. Now, gentlemen, if there are any questions that you would like to ask me, I will be glad to answer them, if I can, and I believe I can answer any questions with respect to this matter.

Senator KELLOGG. Have you had any hearing before the Interstate Commerce Commission on this subject? Have you presented the matter to the Interstate Commerce Commission?

Mr. JACOBSON. Yes; I have. That is the reason the bill is drawn in the way it is. Mr. Hines and Max Thelan and Mr. Chambers thought it would be a good idea to have that bill drawn so that the Interstate Commerce Commission should be the ones to have the power at the hearing to locate these elevators and warehouses.

They thought that would be a good idea, and Mr. Hines and the administration said they would back them up. I have a letter in my pocket from the Chairman of the Interstate Commerce Commission, which I received on yesterday but have not had time to respond, asking me to come and see him. I think it is Commissioners McCord, Hall, and Clark who are on that committee, and they want to meet with me while I am here.

Senator KELLOGG. Clark is the chairman this year, is he not?

Mr. JACOBSON. Yes, sir; Mr. Clark is the chairman. Aitchison has been chairman, but he goes out this year.

The CHAIRMAN. Mr. Clark has just been made chairman?

Mr. JACOBSON. Yes, sir.

The CHAIRMAN. It was Mr. Woolley's turn, but he declined to become chairman because he was not in sympathy with the railroad men.

Senator Kellogg, have you any further questions to ask Mr. Jacobson?

Senator KELLOGG. I have no questions. I am pretty familiar with it myself, and I know there has been a shortage of terminal facilities in New York.

Mr. JACOBSON. I have with me the expert who takes care of the car shortage in the State of Minnesota, Mr. A. L. Flynn, and I would like to have him make a statement covering just a few minutes in order to show you gentlemen what we are up against.

Senator POMERENE. Have you examined the recent railroad bill which we passed?

Mr. JACOBSEN. Yes, sir; I have.

Senator POMERENE. Do you not think that there is sufficient authority under that bill now given to the Interstate Commerce Commission to make this investigation which is required by this bill?

Mr. JACOBSON. We do not think so, Senator.

Senator POMERENE. Well, their authority extends to all the needs of transportation, etc. I have not in my mind the exact phraseology, but we intended to make that very comprehensive.

Mr. JACOBSON. We have been through that with our attorney general, but on account of their wanting to have the grain and grain products in it, that is really what we are up against more than anything else.

Senator POMERENE. I do not think it mentions grain products, but it mentions the general transportation needs of the country, and it seems to me that in their investigations they would be able to do just exactly the things which you call for.

Mr. JACOBSON. But the Interstate Commerce Commission, as I understand, is very much in favor of this. You know Mr. Elmquist, who has been down here a few years?

Senator POMERENE. I think it is a proper subject of investigation, and I think we ought to have detailed information about it.

Mr. JABOBSON. I have had a good deal of talk with the commissioners from your State, and the grain men of your State, and they are very much interested, just as much interested as we are.

Senator POMERENE. We are all interested in getting the necessary transportation facilities and storage facilities, but the only thought I had in mind is does not the legislation which we passed just a short

time ago embrace just exactly what you are seeking to do here, in general terms?

Mr. JACOBSON. If it did it would be all right, Senator; but I say, we do not think there was enough mention about a thing of that sort.

STATEMENT OF MR. A. L. FLYNN, EXPERT, WAREHOUSE COMMISSION OF MINNESOTA.

Mr. FLYNN. Mr. Chairman, I think what Mr. Jacobson wants me to tell you gentlemen is the general situation so far as the car shortage is concerned in the State of Minnesota; but what we say about Minnesota, of course, is equally true of North and South Dakota and Iowa, besause of the fact that the general production of grain is about the same all through those States; also it is of a little different type.

For two years past the department of United States Railroad Administration which was known as the car-service section has gotten out a bimonthly statement which showed the situation as far as the cars were concerned on the different railroads of the country, by groups, and among those the Northwestern group embraces the roads that served Minnesota, and there have been times—a number of them—when the railroads in that territory had only about 50 per cent, and in some cases less than that, of their normal supply of box cars on their own line, that including both their ownership and the ownership of other companies which travel over their roads; and it also included those cars which would come on their line and pass through the State loaded, or come back loaded from the West, and also when we started in in the fall we have kept this statement checked up since it was issued the beginning of June, we will say, or earlier than that; and I have taken this matter up with the car-service section and with the administration itself, and with the local car-service men in Chicago, with the idea of getting them to move their cars into that territory to take care of that grain movement in the fall, and the coal movement in the fall, which is very heavy, and the movement of potatoes, which is exceedingly heavy—and, speaking about potatoes, that is reflected much in the grain movement, because if we do not move the potatoes out of that country before frost comes, then it is necessary to have refrigerators for them, and in moving them they naturally take away a large number of box cars that would otherwise be used for grain, assuming that they were fit for it, and that reduces the visible supply of cars for grain movement.

Take the past season alone, we have moved 30,000 carloads of potatoes out of that territory, and of that, I should say, 20.000 or maybe 25,000 were moved by box cars before the frost came on in the early part of the fall or winter when we could have these box cars to move them out. You see, if you take 25.000 box cars and move them away from a territory where you are going to need them for grain, you have quite a shortage there for that one thing alone. But the trouble was that we could not seem to convince anybody that we knew just exactly what that country did need, although I have lived in it for 30 years and ought to know something about it, having been mixed up with the railroad business 15 years before I went to the

commission—and the commission very kindly delegated to me the handling of the meanest job they had, and that is car shortage, and I have handled that ever since I have worked for the commission. That was one of the troubles, and then the other trouble is that we move out approximately a thousand cars of coal a day from the head of the Lakes. The shippers themselves and the receivers of the coal will always refuse to have their hard coal shipped to them in anything but a box car. There are quite a number of cars taken up by that movement; so, taking the whole thing into consideration, when we begin to move grain in large quantities, we are confronted every year—not one year, but every year—with a shortage of cars for grain movement, and there is a demand not only throughout the country, but a demand in Minneapolis, for outbound movement of grain for export. When the cars go out of the country they come back loaded with grain to Minneapolis, and under the pooling arrangement prescribed by the Railroad Administration—and I am not saying that pooling is not all right—these cars would be taken into Minneapolis and loaded there, and moved out with the exception of grain moving into Ohio, Indiana, and Pennsylvania for milling in transit. They move on to destination and come back, and for the very reason that Mr. Jacobson has told you, they would crowd the outbound ports with carloads of grain and grain products, which they could not handle because the ships were not available. Even though a man might have secured his tonnage in advance, the ship might be delayed by storm, and when it got in it might have some defect that would make it need docking and overhauling, and as a result that grain would stay on the tracks there for from 10 days to 2 months, and I can remember at one particular time when the statement was made that there was a loss of $20,000 by the New York Central alone, where the cars were loaded with grain and grain products ready to be taken away—and that was not during the war; it was not a war shortage; it was just a natural congestion of stock that could not be handled.

The CHAIRMAN. What remedy would you propose for that?

Mr. FLYNN. My only idea of any remedy for that is that you have got to tell a man that if he has a million bushels of grain to ship he can not make the shipment until the ship is known to be at the dock, and that is an impossible requirement because when you tie a ship up at the dock you have a demurrage on that ship, such as Mr. Jacobson spoke of in the case of a man paying $25,000. If you could take your grain at the place where it was shipped from and move it on schedule to New York, for example, you would know it would go from Minneapolis to New York in a week, and then you could say that a ship yould be in on such a date. It would take one week to get it there. But instead of doing that you can ship a car out of Minneapolis to-day, and I only know one person who can ever know when it will get to New York, and that is the Almighty. Because you can not find out anything about when the cars will move, or how quick they will move, or how long they will be held on the side track or terminal, just because of the matter of which the Senator spoke, the lack of terminal facilities, and the lack of power to handle the stuff when it is at the terminals.

Senator POMERENE. There is another complaint in my section of the State, namely, that they have not coal cars enough for their manufacturing industries and are using the open top cars to haul the automobiles that are being sent to Senator Cummings' constituents.

The CHAIRMAN. They could get along very well without them.

Mr. FLYNN. I could answer that for you in a different way, that this year unfortunately the citizens of Montana have suffered from the worst loss—if you would like to put it that way—on acount of crop shortage, and in order to try to help them out the administration made arrangements with regard to hay—of which they had a large stock—and there were, I think, about 6,000 carloads of hay sent from the territory imediately tributary to Minnesota, and from Minnesota, into Montana.

Now, that demand was extraordinary, and because of that it was difficult for the people to get cars to load the bales of hay. The car that is most suitable for hay is a car that is made for moving automobiles. It is large and roomy, and in order to get a minimum of weight into the car, the commission prescribed 25,000 pounds. You must have quite a large car, otherwise wou can not get the minimum into it.

The car-service section—I will put it that way, not the administration, the car-service section—issued an order that none of those cars were to be used for loading hay but were either to be sent empty from that territory or were to be used to load east toward the automobile producing territory. I never have heard anything so ridiculous in my life as that particular thing from a transportation standpoint, because an automobile is a self-propelling vehicle and if you could not get it into a car you could put gasoline in it and drive it. But you could not do that with hay.

The CHAIRMAN. May I direct your mind in another direction. You know that we have to do here with the legislative end of it.

Mr. FLYNN. Yes, sir.

The CHAIRMAN. We can not undertake here to direct the distribution of cars, of course. That is an administrative function, and it has got to be performed elsewhere. I think we are all convinced about the necessity of having something done. Testimony has accumulated here until there is no longer any room for doubt with regard to the inadequacy of these facilities. But what I am trying to find out now is what we can do. We can not attend to the shipping end of it. That belongs to the Committee on Commerce, and that committee is very jealous of its jurisdiction, and we are not permitted to interfere with the provisions which may be made with regard to furnishing the ships that will take the stuff abroad. But we are concerned in getting it to the ships. That is our business, in so far as legislation is required to get this grain and everything else intended for export to the ships promptly, and we have given the Interstate Commerce Commission in the last railroad act complete, plenary, absolute, comprehensive authority, not only to require the railroads to furnish themselves with engines and cars but with every other facility that goes to make up the train and the movement of the trains, and if there is anything more that we can do in that direction we want to do it.

I am doubtful whether we have given the commission the authority to require the railroads to build elevators. We have given them the authority to provide lighters, and everything of that kind, but I am inclined to think we have not given to the commission the authority to required the railroad companies to build elevators. Now, is that a practicable remedy?

Mr. FLYNN. Senator, I think that is absolutely the only remedy, because that is where all the shortage of cars comes in, or has for the last four or five years. There has never been a time in the fall when there has not been a congestion of cars on the seaboard at different ports, and as a result of that we have had all the way from 400 to 1,000 calls in the period of four months for pressing help for new cars for loading grain.

The CHAIRMAN. We have given the commission the authority to divert traffic; that is to say, if you are shipping grain to New York and there is a congestion in New York so that it can not reach the seaboard quickly, we have given the commission power to say that traffic shall go to Newport News, Philadelphia, or go to Boston. Whether it would do it or not, I do not know.

Mr. FLYNN. I should think that would help very materially. There is another thing which would help, and that is the equalization of rates through the Atlantic ports and Gulf ports, if that is allowed to stand.

Senator KELLOGG. Subsection 21 of section 402 provides as follows:

(21) The commission may, after hearing, in a proceeding upon complaint or upon its own initiative without complaint, authorize or require by order any carrier by railroad subject to this act, party to such proceeding, to provide itself with safe and adequate facilities for performing as a common carrier its car service as that term is used in this act, and to extend its line or lines: *Provided*, That no such authorization or order shall be made unless the commission finds, as to such extension, that it is reasonably required in the interest of public convenience and necessity, or as to such extension or facilities that the expense involved therein will not impair the ability of the carrier to perform its duty to the public.

It comes mighty near giving them the power.

The CHAIRMAN. My only doubt of that is whether the definition of car service, which appears in the early part of that section, is sufficient to cover the case that has been suggested, namely, the provision for elevators.

Senator KELLOGG. This was intended evidently to mean that they should furnish car facilities for performing their car service. Facilities for performing car service means elevator terminals. It it is not clear, it can be made clear.

Mr. JACOBSON. That is the section that Senator Pomerene referred to, is it not?

Senator POMERENE. Yes.

Mr. JACOBSON. That is one as to which we have been told by the attorney general of our State that inasmuch as it was not exactly clear, they thought it would be necessary to report this bill, or if it can be done in any other way it does not make any difference. That is up to you gentlemen.

Senator KELLOGG. I do not say absolutely that that is the fact. I am just simply suggesting that that was the intention.

The CHAIRMAN. I think the commission has the power to order facilities which will be suitable for unloading freight, so that the car can be immediately, or within a reasonable time, restored to the service. I believe that. But it may not be quite as clear as it should be.

Mr. JACOBSON. The public utilities commissioner of New York asked me at this meeting, "Where would you build these elevators in New York?" I said that the Baltimore & Ohio had the best terminals in Staten Island of any place in the United States. I said:

There is a good place on Staten Island, because vessels can go in there with 30 or 32 feet of water, and the Pennsylvania Railroad has bought up the Long Island Railroad, and there are very many places where grain elevators could be built in New York.

The CHAIRMAN. We have given the commission authority, for instance, if a trainload of cars goes into New York on the Pennsylvania and its lines are congested so it can not reach the seaboard and it can not reach the ships—we have given the commission the authority to say that the train shall pass on to the tracks of the Baltimore & Ohio, if it can reach the seaboard. There is no question about the complete authority of the commission in that respect; but if a company has not an elevator sufficient to handle its business I am not quite clear whether we have given the commission authority to order it to build that elevator or not.

Senator KELLOGG. I think we have.

Mr. JACOBSON. Philadelphia is represented here, Mr. Chairman, by Mr. Clemmer, of the Philadelphia Exchange, who, I think, would be glad to be heard.

The CHAIRMAN. We will be glad to hear Mr. Clemmer.

STATEMENT OF MR. A. B. CLEMMER, SECRETARY OF THE COMMERCIAL EXCHANGE OF PHILADELPHIA.

Mr. CLEMMER. Mr. Chairman, we have in Philadelphia two export elevators, one on the Pennsylvania Railroad with a capacity of two and a quarter million bushels; actual working capacity about two million bushels; the Port Richmond elevator on the Philadelphia & Reading, an export elevator, with a capacity of one half million bushels; actual working capacity about one million bushels. The elevator on the Pennsylvania called the Girard Point elevator, is comparatively a new elevator, having been built about five or six years ago, and is an up-to-date fireproof elevator, making the insurance rates very favorable.

The Port Richmond elevator on the Philadelphia & Reading, is an old antiquated-wood elevator, so that the insurance rates are now practically phohibitive.

This makes our export elevator capacity very small. A million-bushel elevator is not more than about two or three boat loads of wheat, so that the Port Richmond elevator, if it can be used—though as I say, the insurance rates are so high on account of the wooden structure that it can not be fully utilized—is really prohibitive. It is impossible to accumulate any large amount of grain there for export, and consequently the grain has to be hauled back. If the steamers are delayed, which is sometimes the case, there is no accumulation possible there to accommodate the steamers that come along to be

loaded. Either the steamer has to be held up entirely for awhile, which is very expensive, or else business can not be done.

We feel that if the Interstate Commerce Commission had the authority to investigate into those conditions at Philadelphia, as well as at any other place—but I am particularly interested in Philadelphia—I say if the Interstate Commerce Commission would have the authority to investigate into these conditions, we feel they would instruct the Philadelphia & Reading Railroad Co. to build a fireproof elevator of such capacity as we need. We feel we ought to have at least from a three to four million bushel capacity elevator there. The Pennsylvania Railroad capacity should be increased to the same so that we would have adequate facilities for accumulating enough grain to accommodate the steamers to make the necessary shipments.

The CHAIRMAN. Can both of these elevators, which you have mentioned, be reached from all the railroads which run in to Philadelphia?

Mr. CLEMMER. The Pennsylvania elevator can be reached by the Pennsylvania Railroad only, and the Reading only by the Reading.

The CHAIRMAN. Are the tracks not so connected so that they can be reached?

Mr. CLEMMER. No, sir; they are about 7 miles apart, those elevators.

The CHAIRMAN. In a place like Philadelphia it would seem to me probable that there were tracks that would connect them in some way.

Mr. CLEMMER. Outside of Philadelphia and before you get to Philadelphia, where they converge, of course, it could be.

The CHAIRMAN. They are so located that the commission—that is, assuming it has the power to do it—could order grain reaching Philadelphia on the Pennsylvania to be unloaded at the elevator of the Reading, could it not?

Mr. CLEMMER. They could; yes. Before they reach the elevator they could have an order for the run, but with the inadequate facilities on the Reading at present it would not be possible to ship there, because, as I said, the insurance is prohibitive. The insurance rate, for instance, on the Philadelphia & Reading—the port Richmond elevator—is approximately, as near as I can recall, $2.65 a hundred per annum, whereas the insurance rate at the Girard Point elevator, on the Pennsylvania, which is a fireproof elevator built recently, is 27½ cents a hundred per annum.

Senator KELLOGG. It is a concrete elevator, I suppose?

Mr. CLEMMER. Yes, sir; it is a concrete elevator.

Senator POMERENE. What is the probable cost of an elevator that would accommodate 3,000,000 bushels of grain?

Mr. CLEMMER. Well, Senator, I am not in that business——

Senator POMERENE (interposing). I thought you might have some general information on the subject.

Senator KELLOGG. If it was a pure storage house it would not be near as much as it would if it were a storage and cleaning house. I should say that a pure storage house could be built for—how many bushels did you say?

Senator POMERENE. I said 3,000,000 bushels.

Senator KELLOGG. Three million bushels—it probably could be built for $750,000.

Mr. MAGNUS JOHNSON. You could not do that now. It would be about a dollar a bushel.

Mr. CLEMMER. Of course, you understand it is necessary to have cleaning facilities?

Senator KELLOGG. Is it at the seaboard; I would like to know that?

Mr. CLEMMER. Yes, sir; Philadelphia, of course, is located on the Delaware River. The depth of the river is such as to enable it to accommodate the largest ovean-going vessel.

Senator KELLOGG. Philadelphia would be what I might call a primary market for winter wheat in that country—that is, a cleaning-elevator market, where the grain would be cleaned.

Mr. CLEMMER. It has to be treated; it has to be cleaned, surely.

Senator KELLOGG. The grain that comes to our market and shipped East has already been cleaned.

Mr. CLEMMER. It has been already cleaned, and yet it needs more cleaning at times. You have to have elevator-cleaning facilities; if you do not, with respect to the grain that comes even from the West sometimes—if you have no cleaning facilities, you would be in trouble. It is absolutely necessary to have cleaning facilities in those elevators.

Senator KELLOGG. It would cost more than I have suggested anyhow, now?

Mr. CLEMMER. Especially in those States, I should say it would cost more.

Senator KELLOGG. It would cost over a million dollars.

Mr. CLEMMER. We have pleaded with the Philadelphia & Reading people for many years for a new elevator, realizing the necessity for larger facilities and more up-to-date facilities.

Mr. JACOBSON. That elevator is at Port Richmond, is it not?

Mr. CLEMMER. It is at Port Richmond. The Philadelphia & Reading elevator is the Port Richmond elevator; yes, sir.

As I said, the reason we have pleaded for these facilities at Port Richmond, on the Philadelphia & Reading, in the first place is because we need the increased facilities, and in the second place, because we need better facilities or improved facilities, making it safe to store the grain and at the same time, also, for handling it more adequately. The later elevators have machinery which expedites the handling of grain, and therefore, in that respect, is quite an advantage. We urge upon you Senators the enactment of this bill to provide authority to the commission to investigate into these elevator facilities, and authorize the commission to instruct the building of elevators, provided that authority is not already given in the railroad bill, of course.

The CHAIRMAN. Well, it has full authority to investigate.

Mr. CLEMMER. To investigate, but not to build, probably.

The CHAIRMAN. The only question, it seems to me, to be at all in doubt is whether the commission has authority to order the construction of elevators?

Mr. CLEMMER. That is the important feature about it, it seems to me.

The CHAIRMAN. If I were a commissioner, I would have no hesitation in assuming that authority, but I do not know how they feel about it.

Mr. JACOBSON. Mr. Chairman, Mr. Stites, one of the directors of the exchange in Philadelphia, would like to be heard.

The CHAIRMAN. We will be glad to hear him.

STATEMENT OF MR. W. B. STITES, MERCHANTS' EXCHANGE, PHILADELPHIA.

Mr. STITES. Mr. Chairman, I just want to indorse what Mr. Clemmer has said and also to point out, aside from car shortage—a proposition that comes next to the people—the fact that if the railroad bill does not give the exact authority to the Interstate Commerce Commission to enforce the construction of these elevators, and I think everybody is fully aware they are needed. We should have some place, such as the Interstate Commerce Commission, to go to and present the matter, so they could force the railroads to build these elevators.

We have been after the railroads in Philadelphia for years, and of course the Philadelphia & Reading particularly does not want to build a new elevator. It is an added expense, and as long as they can get along with the old one and make money out of it they want to do it, but it is not fair to the merchants to have to put up with such conditions as we have. I think that the necessity of having this power in the hands of the Interstate Commerce Commission is very apparent at this time, especially in Philadelphia. At present the only appeal we have is directly to the railroads, and we have not had much success in getting any relief from them.

I thank you, Mr. Chairman.

STATEMENT OF MR. H. N. OWEN, PUBLISHER OF FARM, STOCK, AND HOME, MINNEAPOLIS, MINN.

Mr. OWEN. Mr. Chairman, with respect to the matter of the cost of an elevator—of course this is just approximate—I am informed that the Equity Elevator, built in St. Paul four years ago, a 500,000-bushel house, cost $200,000. That would be 40 cents a bushel. Well, it would be a conservative estimate to say it would cost about 75 cents a bushel now, which would make a 3,000,000-bushel house cost two and a quarter million dollars.

Senator KELLOGG. That is the St. Paul cleaning house, is it?

Mr. OWEN. Yes, sir.

Senator KELLOGG. That is very much more expensive than a mere storage house.

Mr. OWEN. I think you would find that you would have to have cleaning facilities here. Of course, these figures are very approximate. They may vary up and down materially, but it gives some kind of an idea of it.

Mr. KENNING. The increase of capacity would not cost as much as the original.

Mr. OWEN. No; but if you consider the material, etc., it would vary greatly.

Senator POMERENE. What organization do you represent?

Mr. KENNING. I represent the Farmers' National Grain Dealers' Association, comprising at present 12 of the Western States.

The CHAIRMAN. Will you give us your idea about this matter.

Mr. KENNING. I shall be glad to.

STATEMENT OF MR. CHARLES KENNING, FARMERS' NATIONAL GRAIN DEALERS' ASSOCIATION.

Mr. KENNING. Mr. Chairman, this matter of car shortage has been a very serious matter with the shippers in the West. At a hearing here before the Railroad Administration last summer, we were informed that they had ample cars, new and rebuilt, to handle the largest crops the West could ever produce. That was on the 22d of July.

Senator POMERENE. What year?

Mr. KENNING. This past year. As soon as our crops came in there was complaint of car shortage immediately, and I finally took the matter up with the Railroad Administration, and in the fore part of December, and up to the time I had left home, we had practically gotten no relief. In investigating the matter I found the principal cause of it was—although as they said they had ample new and rebuilt cars to supply us—that all the good cars were used in the East somewhere for storage or other purposes, and all we got was poor stuff that we could not practically use. I had a survey made of the cars coming into Minneapolis for a period of two months only, passing by two inspectors, and there were some 1,400 bad-order cars that were loaded with grain that were absolutely unfit to transport any farther. Out of those fourteen hundred and some, there were only 340 cars belonging to the roads operating in the State of Minnesota, showing conclusively, that all our good cars had been taken out of the State and used elsewhere.

I took the matter up with the Interstate Commerce Commission and also with the Railroad Administration several times during that time, and, as I say, we got no relief. Had we had a crop as we should have had, I do not know what the result would have been. There would have been a large amount of grain that would have been put in storage. Our local elevators were at all times filled to the top, even in February. This not only increased the expense of handling, but made it impossible for the farmers to market their grain at the season of the year when most of the marketing is done, and it was a hardship to compel us to pay the large amount of interest because our elevators were always filled—and it made it impossible for us really to give the farmers what belonged to them, or the producers what belonged to them, because we were unable to see just where that grain would go when it got into the market, especially under the present system.

So that all around, it was a serious matter for us. We felt it more the past year than at other times, because of other conditions. We find, in talking at our convention of the national organization at Chicago this week, we had serious bad weather in Nebraska and those States, and had we had large crops a large amount of the grain would have spoiled because of not having granary or storage room.

Senator POMERENE. That is the fault of the farmers out there and not of the elevators or railroads?

Mr. KENNING. Not having that——

Senator POMERENE (interposing). You say they did not thrash because they could not get the storage facilities?

Mr. KENNING. That is very true, but it is almost impossible for a local elevator to furnish storage capacity enough for the surrounding country.

Senator POMERENE. Very few of those farmers have granary or storage facilities on the farms?

Mr. KENNING. A certain amount, but not sufficient to store all the grain.

Senator POMERENE. When you are talking of car shortage, do you mean with reference to the grain trade or coal cars or all other cars?

Mr. KENNING. Mostly grain and coal—in fact, both.

Senator POMERENE. Up to what period did that obtain?

Mr. KENNING. We were still in trouble when I left home last week.

Senator POMERENE. I ask that question particularly because the coal situation came up in the Senate the other day, and I have been investigating this subject somewhat, and I introduced into the record a telegram from the Youngstown (Ohio) Chamber of Commerce in which it is said:

Coal shorage has curtailed industrial production in this territory at least 50 per cent.

In the latter part of the telegram it says:

Understand western and southern railroads have from 120 to 250 per cent supply of this class of equipment, while lines in coal-producing territory are ranging from 20 to 60 per cent supply of coal cars owned by them.

There is a general car shortage; there is no doubt about that. But your statement surprises me. I did not know there was such a great shortage in the West, with the indication that there was a larger percentage of cars here in the East, having in mind this telegram from the Youngstown Iron & Steel people.

Mr. KENNING. When I left home last Saturday, at our elevator there we were completely out of coal—hard and soft, both—although we had a number of orders in that had been put in early last fall. Nevertheless we were still unable to get the coal. It has been that way practically all winter. We have not had a shipment in there for a month at a time.

Senator POMERENE. What is your State?

Mr. KENNING. Minnesota.

The CHAIRMAN. It has been perfectly well established, so there is no doubt about it, that we are more than 100,000 cars short of the number that is reasonably required to do the business of this country, and, of course, those cars can not be supplied in a moment, but it is hoped we will begin to supply that shortage during the coming year.

Senator POMERENE. It is a deplorable situation.

The CHAIRMAN. It is a deplorable situation, but there is no way of remedying it. Its effect can be mitigated somewhat by a proper use of the cars, of course.

Mr. JACOBSON. The Great Northern and the Soo Line are working hard now to get their own cars back on their lines.

The CHAIRMAN. That is what the railroads are trying to do now, get their own cars back. We have been living under a sort of artificial condition for a while, and the attempt to get back to normal is going to create some hardship and some confusion, necessarily.

Mr. KENNING. This matter came up at the national meeting last Tuesday at Chicago and the complaint was general from the different States. Also, we realize it is some expense to build these terminal elevators; nevertheless, I believe, if properly handled, they could be made self-sustaining, because it is a well-known fact that grain left in cars or elsewhere does not improve in quality, whereas handling through the elevator it does improve the quality of the grain, and the shipper could well afford to pay whatever difference there was between storage and demurrage, if any. As a matter of fact, there should not be any difference between the storage and demurrage, but if they had it, it would make for improvement in the grain, especially for export. Loading the grain in and out would decrease the moisture, and at the same time scour the grain and make it better for sale. We feel that in asking for this we are not putting any unnecessary expense on anyone that will not come back in returns.

The CHAIRMAN. It seems to me that some adequate provisions must be furnished. The grain has got to be shipped, and no one, I think, believes that the grain ought to be stored for any great length of time in the cars. That is uneconomic and that is obviously so. So, you have got to have the elevators.

Mr. KENNING. This especially pertains to wheat. The coarser grains the Western farmers are using to a great extent at home. But it is discouraging to the wheat producer to be put in this condition, and the result, I am satisfied, will be that this year our wheat acreage will be largely decreased on account of the difficulties they run up against. I believe that what we are asking——

The CHAIRMAN. I think the whole problem is one of getting money. The chief thought in the minds of the committee in formulating this railroad bill was to try to get a system that would enable the railroad companies to get the money that was necessary to provide these facilities, for they must be provided in some way or other or the business of this country can not go on.

Mr. KENNING. I certainly agree with you in that. It is something that we have realized for some time, and instead of getting better it has been getting worse. I do not know that there is anything else I have to say.

Mr. JACOBSON. Mr. Chairman, I should like to introduce Senator Thomas C. Cashman, of Minnesota.

STATEMENT OF MR. TOM C. CASHMAN.

Mr. CASHMAN. Mr. Chairman and gentlemen of the committee, I consider this one of the most important matters that Congress will have to consider this session, viewing it not only from the producers' and consumers' but from the general standpoint of the public.

In the wheat-producing sections of the United States we find that the farmer is not provided with adequate granary room. In fact, in the pioneer sections of the Dakotas and northern Minnesota and some parts of western Minnesota we find that the farmer uses the local elevator for storage. He hauls his grain frequently to the

elevator or granary immediately upon thrashing. The last two or three years, the farmer who thrashed early had the advantage of finding storage room in the local elevator and having his wheat shipped out, due to the fact that in the early part of the season there seemed to be adequate cars in which to make the shipments. But after the first shipments were made and extra cars used and started for the eastern ports, the local elevators soon became filled and our farmers have been compelled, in a great many cases, to pile up their wheat in the fields, lying unprotected and exposed to the elements, which naturally depreciates and deteriorates the wheat, which is a severe loss to the producer and naturally in time reflects on the consumer.

Then, again, this car shortage has been a serious handicap to business. We ourselves are using a great many cars in certain seasons of the year handling perishable commodities that must be shipped out in a given period or a serious loss sustained, and we have been seriously handicapped and have suffered severe loss because of the fact that we were not able to get sufficient cars when we needed them.

It is not only true with respect to nursery stock, but it is in getting coal at the season of the year when it is most profitable to have it especially, which is the winter time—December and January—that is affecting us.

Now, it occurs to me that if we had adequate facilities for storing this grain that this terrible congestion we have experienced at the great terminals would be eliminated to a large extent. Traffic would move much more quickly at a much less expense, therefore benefiting everybody—producer, consumer, and manufacturer—making it much easier and cheaper for the producer to find a market and much cheaper for the consumer, who, in the ultimate end, must pay all these added expenses caused by inadequate transportation and expensive handling.

If there is any question you gentlemen care to ask, I should be pleased to answer it if I can.

Senator KELLOGG. The need of these elevator facilities is principally, if not entirely, at the seaports?

Mr. CASHMAN. Yes, sir; in fact, we need them all along the line; but we are told if we had sufficient seaboard facilities that these cars that are held for weeks and months because of inability to unload them would be returned to us for loading quickly.

Senator POMERENE. Your idea is that the cars should be used for transportation purposes and not for storage?

Mr. CASHMAN. Yes, sir.

Senator POMERENE. I agree with you.

Mr. CASHMAN. I feel like our commissioner, that there are enough cars almost in the country if they could be unloaded in time, and it is the lack of storage facilities that causes all the congestion.

Senator POMERENE. In Pennsylvania a large number of these coal cars have been loaded with ashes and left stading on the side tracks. I think that is a case of mismanagement.

Mr. CASHMAN. In those cases I think the demurrage should be fixed at such a high figure that it could not be tolerated.

Mr. JACOBSEN. I wish to introduce Senator Johnson, of Minnesota. Mr. Johnson is vice president of the Equity Cooperative Grain Exchange, as well as State senator.

STATEMENT OF MR. MAGNUS JOHNSON.

The CHAIRMAN. Please state your name and business for the record.

Mr. JOHNSON. Magnus Johnson, vice president of the Equity Cooperative Grain Exchange, St. Paul, Minn.

Mr. Chairman and members of this committee, I am certainly glad to have the opportunity to face you here this morning and state the reason why we farmers of the Northwest—I do not particularly represent the farmers of the Northwest, but we are here representing all classes of people of the Northwest—why we are asking you to do everything you can in helping us out. We realize that hundreds of propositions are brought up before you to consider. As a lawmaker myself in my State, I know the position you are in.

When the Senator over here mentioned the building of canals and widening of rivers in this country, we fully realized that when we built the elevator in St. Paul on the river bank. We are waiting for something from Washington, and we had this in mind when we built our elevator along the railroad tracks and along the banks of the Mississippi. When we did that, we thought the time would soon come when you would appropriate money to deepen the river there so we can ship our grain direct to England and elsewhere.

Now, as a farmer, and going around in my State organizing the farmers, shipping associations, elevators, granaries, etc., I am in contact with farmers, and I think I know the condition they are in, not only with respect to Minnesota but other States, and I find wherever I go they are short of cars.

I had a talk with our superintendent, the superintendent of our 70 elevators in this country. He is a man from New York City, and what he told me is absolutely what Mr. Jacobson says, and the condition is that we need terminal facilities at the seaports and the terminal markets of this great country.

I understand that you Senators realize that it will be an enormous task for you to try to compel the railroads to do it when they have not got the money, but I want to assure you that the good will of the people out in the country will be with you on these propositions, and if you are going to have the commercial enterprises of this country in the hands of private owners, they must stand up and give us service, and if they do not give us service I know the tendency of the times, and the time will come, perhaps, when they will ask for State or national ownership of these things. But if we get the service I know that we are not going to ask for the other proposition, and therefore, in the name of the people who sent me here, I ask you, Mr. Chairman, fairly to consider these propositions, and I am quite sure of it, that our Senators from Minnesota will be with us.

These resolutions in the Senate and in the House two years ago were unanimously adopted, as far as I know, and 10 years ago I advocated the same principle in North Dakota and Minnesota myself.

I thank you, gentlemen.

The CHAIRMAN. I think you touched one of the real questions. If the railroads under private ownership or management can not furnish the service, there will be but one thing to do, and that is, the Government will have to take them over, because the service has got to be furnished.

Senator POMERENE. I do not see any promise of it.

The CHAIRMAN. I am still hoping. We are just at the closing up of a very violent disturbance, and it will take a little while to get our breath.

Mr. JACOBSON. Mr. Aandahl is here. He is our commissioner and is a farmer and owns a great deal of land and ships a great deal of grain.

STATEMENT OF MR. S. J. AANDAHL.

Mr. AANDAHL. Mr. Chairman and gentlemen of the committee, I can only speak from actual experience that I have had while serving as the railroad and warehouse commissioner of our State.

Senator POMERENE. Minnesota?

Mr. AANDAHL. North Dakota. I also know something about the situation from the standpoint of the farmer. During the last three years, while I have been a member of the State railroad and warehouse commission, we have had numerous complaints from shippers—elevators as well as farmers—that they are unable to obtain cars to ship their grain out; also from coal dealers, that they can not get the coal by reason of the cars being tied up at the seaboard. They can not get the coal from the head of the Lakes.

In a crop year like we had in 1915, if we should have had that situation then that we have had during the last three years, there would have been any amount of grain spoiled in our State, but we have not had a very heavy crop during the last three years. This year we have not had so many complaints of car shortage by reason of the crops being exceedingly short. But during 1915 the complaints came quick and fast. If the conditions during the last three years had been like they were in 1915, there would have been any amount of grain spoiled by reason of not being able to get it into the elevators. The elevators would have been filled up and the farmers, especially those located close to our small villages, which are not provided with granary facilities—if they have any, they are very small granary facilities—they would not be able to thrash the grain, and the grain would be standing out in all conditions of weather and would have spoiled and have been destroyed.

So, for my part, I would be heartily in favor of you legislators compelling or giving the Interstate Commerce Commission the right to order terminal facilities at the seaboard.

I think that is absolutely necessary, because we conceive that in the future we may have a 150,000,000-bushel wheat crop in our State, where we must get the cars to handle the grain.

Senator POMERENE. Will you pardon a suggestion from me? We found in our investigations here that your legislature was one of the sinners up there, in that it cut down the freight and tariff rates to a point where the railroads of the country could not have lived at all if all of the States had done the same thing.

Mr. AANDAHL. I was not a member of that legislature.

Senator POMERENE. I did not mean to accuse you of it, but I simply wanted to call your attention to that fact.

Mr. AANDAHL. I know that is so.

Mr. JACOBSON. I think the commissioner from North Dakota realizes that very much himself.

Mr. AANDAHL. I can not speak for any legislative acts in our State. That is all I have to say, gentlemen. I thank you.

The CHAIRMAN. I have one general question that I should like to ask all of you. This question refers to the contingency that we may have to meet. We all agree that these facilities must be increased. They will not be adequate. The business of this country must go on and the country go on, and unless there is prompt and adequate compensation afforded the railroads they can not do it.

Now, suppose that the railroad companies, under the bill that we have passed, can not get the money; that is, that money must come voluntarily from people who have it and are willing to invest it in the railroad enterprises. Suppose they can not get it? What would be the sentiment of the shippers and farmers of the country with regard to the Government loaning to the railroad companies further sums of money in order to enable them to provide themselves with sufficient facilities, recognizing that we are in a kind of transition period, getting back to normal, trying to overcome the conditions that have existed for the last few years—what would be the sentiment of the people of the country on that point?

Mr. JACOBSON. It so happens, Mr. Chairman, that in this delegation there are probably three or four different political colors. We have one of the most prominent Democrats of our State, Senator Cashman, here, and I would like to have him answer that question for his side, so that you can hear what he has to say.

Mr. CASHMAN. Mr. Chairman and gentlemen, I think everybody admits that the railroad companies need funds now, I think it would be very unpopular if freight rates were raised at the present time, but they realize that the railroads must have money with which to build equipment and facilities, due to various reasons. One is the extensive cost of handling our railroad business at the present time, due to the cutting down of the hours of labor of the men and the refusal of the men to work. That is the situation to-day. It is one of the necessities, why we must have cheap facilities—facilities that will make the handling of products cheaper. Every business man must be up against the same thing.

We must construct things now because of labor conditions that we would not think of constructing in ordinary times.

Senator POMERENE. Assuming that the railroads have got to get money and have to get it from some source, either from the shippers or from a governmental source——

Mr. CASHMAN. I have not reached that point, Senator.

Senator POMERENE. But whether the additional money comes from the one source or the other, the revenues from the railroad operations—and they must come from the shippers—have got to be sufficient to pay off those losses eventually and pay a reasonable earning. You recognize that fact, do you not?

Mr. CASHMAN. Very true. We also realize that when freight rates go up it is a hard matter to get them down. The railroad company is up against the same situation as the average business man. We think this condition is going to change; that the laboring man in a short time will be willing to do a day's work and work sufficient hours to make a decent living and at the same time earn his money, and when that time does come the railroad companies will

have sufficient remuneration, in most cases, with which to pay the men well and pay dividends. Therefore, in this time of great need, I think the proper place to go to is the Government, to borrow this money, and I think it is the Government's duty to loan this money to the railroads to help the people of the country to perform this service.

Mr. JACOBSON. I should like the committee next to hear on that question from our worthy Senator, Mr. Johnson. He represents another side.

Mr. JOHNSON. In answering that question, Mr. Chairman, I want to say this, that there will be no trouble for the railroads to get the money. If the railroads can assure us, the common people, that there is no watered stock that is going to get any dividends, and if they can produce to us service, the service that we expect, we farmers are willing to join hands with the railroad companies and give them the necessary money.

Now, if that can not come from private owners, from the people themselves, I think it should come from the Government, but there is, so to say, a little—well, the people are a little bit afraid of it.

Senator Cashman talked about the laboring man doing a day's work. We, the farmers, are willing to do a day's work and labor is also willing to do a day's work. What we want is to have the commodities go from the producer to the consumer, not only the grain and live stock, but the clothing and everything we farmers need to have. We want it to go between us, and we want it as fast as we can get it, so that we will be in a position to meet our needs in the country.

I was not personally, myself, for this bill put across the other day, but it is there and we have to take it. I thought the Government should have the opportunity to control the railroads, so to say, for another two years at least in order to see what they could do with them after the war.

Senator POMERENE. Was not two years' experience enough?

Mr. JOHNSON. It was not enough, because things were not settled. That is the reason I thought you should have them two years more.

Senator POMERENE. When it costs the Government a billion dollars for its experience, that is enough for me as a legislator.

Mr. CASHMAN. And for me, too, and everybody else.

Mr. JOHNSON. We differ a little on that. Did we not have the same men running the railroads and, in many instances, the same presidents as ran them before? They were appointed by the Government because they were experienced men in that proposition.

Senator POMERENE. They cut off the heads of the men that had the experience.

Mr. JOHNSON. Well, probably that might be laid to the Democratic administration.

The CHAIRMAN. Let us not get into politics in this question.

Senator POMERENE. It can be laid to the underlying fault of Government ownership of great business propositions.

Mr. JOHNSON. I asked Mr. Stone, when he made his talk in the auditorium at St. Paul, 12 different questions that I put up to him to answer, and I asked this question: Why is it that there is so much kick on the railroads now, because we are under Government con-

trol? Is the kick because there are some people higher up who are running the railroads that do not do their duty and are trying to make conditions as miserable as they possibly can, to get an excuse to go back into private ownership? He said, "You are right." I said, "That is what I thought."

Senator KELLOGG. Do you know who Mr. Stone is?

Mr. JOHNSON. I know. I am not going to talk politics now; but I want to say this, Mr. Chairman, that the common people of my part of this great country of ours are absolutely like myself. We are willing, when they can show that they can give good service, to let them have all the money they want. There is no question about that at all, and I think myself, when the chairman asks this question, that they should have the money to run them and with which to put these railroads upon a plane whereby they can give us service. It is absolutely like the street car situation in the country to-day. We have said many times to them that we are willing to come across if they give us the service.

Of course, there are a great many agitators, and there always will be, but the quickest way to down the agitators is to remove all cause for complaint. We can get them out of the way if we can say in all our dealings, "We are fair and square."

Before I sit down, let me say here, Mr. Chairman, that you know the condition in your State, and I was talking with the Secretary of Agriculture, an Iowa man, and if the people of this country, including the farmers on the one side and the consumers on the other side—the laboring classes and a great many of the smaller merchants—if they are absolutely sure of it, that that unnecessary toll in speculation and otherwise is taken away, then they are willing to come across with all the money that you want. We have shown it during the war that we can do it. We can go and raise crops and do almost anything if you will assure us, Mr. Chairman, that we can have help from Washington.

The CHAIRMAN. I did not intend to bring into this discussion the question of Government ownership or operation at all. My only purpose in asking the question was this: I know that in these days that the return which we have provided for railway capital—new capital—is rather small. I think it is sufficient, but it is not a speculative return at all, and I was wondering whether now, as we go along, if the railway companies are unable to secure the money from voluntary contributions, whether the people of the country would support us in making another loan to the railroad companies at a reasonable rate of interest, because I have more concern about seeing that the people of the country have enough cars, that they are promptly moved, and moved to the markets at a fair price, than I am in anything else in connection with the transportation problem. I am not sure that the railroad companies under the bill we have provided will be able to borrow the money which they must have.

Mr. JACOBSON. I thought it would be desirable to call on different gentlemen representing all the different factions. I did not know how they stood on that matter. Now, there is a gentlemen with us in this delegation, ex-Senator O'Neill. He came to Minnesota 40 or 50 years ago. He is now a member of the State board of grain appeals and he has been in the Legislature of Minnesota probably longer than any man in our State.

Mr. O'NEILL. I desire to yield to Mr. Kenning.

Mr. KENNING. While we are on this subject, in behalf of our association, I would say that this matter has been talked pro and con amongst us. I mean not only the State association of Minnesota but the national association, comprising those 12 States, and the general conviction is that if we can not make the railroads build these elevators that the Government should build them. No matter where the money comes from, they are necessary. We happen to be on the opposite side of the fence from the gentleman who just spoke. We have all we want of governmental ownership, and for your information, Mr. Chairman, I will file with you a letter that I was requested to send to the committee before that bill was passed showing our position on it. We realize only too fully it is a wrong move to put a commodity of that kind in the hands of the Government.

Our experience at home with the system that we have adopted has taught us that. I am well aware that had the farmers of the Northwest put their money into a fund and contracted for their road work every road in their district now laid out would have been not only graded and completed but they would have had money to spare.

I speak from experience when I say that, because I am sorry to say we are wasting money every day we are allowing it to be handled by the Government. When you want a man to work for your township or municipality, manual or otherwise, you hear, "Oh, hell; it is for the Government; I will take it easy."

Senator POMERENE. I see you have been observant.

STATEMENT OF MR. D. P. O'NEILL, THIEF RIVER FALLS, MINN.

Mr. O'NEILL. I do not know that I can add anything to what has been said here to-day. My real purpose in coming to Washington as a farmer and a member of the State board of grain appeals was to ask for a moderation of our grain rates, as I did yesterday.

But I am here with this delegation to-day, and in answer to your question would say that of course there are some sore spots out in our State, in a way, not so much in regard to land grants given the railroads, because at the time they were given they were not worth much and would not have been worth a great deal if the railroads had not penetrated into that country and made them valuable; they have done as much for us as we have done for them, and I think that is generally admitted, and I admit that as a pioneer homesteader, who has hauled grain 40 miles by ox teams, rain or snow, good and bad weather.

But as to the land grants, I, as a farmer, voted for them. I took the position that Minnesota should not repudiate its obligations just simply because the railroads did not carry out their part of the agreement and did not go on to the lands they had agreed to. Of course there is some of that in the people's system now, and as to the loaning of money to the railroads now, I feel, if you will pardon me for saying it, that the Government would cease to function in the interests of the people—the railroads are now the arteries of this country, and under our complex civilization we could not exist if those arteries were not kept open any more than if the arteries of our bodies were closed—but I would say you would not properly function if they

could not get money at a reasonable rate if you do not come to their rescue. If you do not, they will have to pay a higher rate of interest as individuals than the rate at which the Government could lend it to them.

Again, I think you gentlemen would not be properly representing the Government; that the Government of this country would cease to be a Government of, for, and by the people if you permitted any organization, be it the nonpartisan league, railroad organization, or labor organization, or anyone else, to tie up the railroad system of this country. You reached out and took my sons, my nephews, and chucked them over to Europe to make the future of this country safe for liberty and freedom and not to be put down and made a monarchy of later on. If you had a right to do that, you have a perfect right to take my sons and grandsons or nephews and put them on the railroads to operate them, that the lives may not go out of the babies in the cities for want of milk, which would be the case if that situation arose and continued for 24 hours, and I say, in all seriousness, you would cease to function as a Government at Washington, as our representatives, if you would not come to the aid of those railroads in their distress to enable them to carry out properly their functions.

As a farmer in northwest Minnesota, I have seen people come from Montana who had put up hay and could not get cars to ship it, when stock was dying, two years ago when the drought was on. We could not do anything. We were told the cars were all east. Mr. Jacobson came to St. Paul and got us some relief. When we had the bad flood conditions two years ago they asked for appropriations to control the floods, and I introduced bills in the State of Minnesota and worked for them myself to help relieve that situation and provide for a control of the overflow from the lake there. That lake is partly Indian and partly Government. They refused $100,000, but they appropriated into a fund half a million in a calamity fund, and they have given those people $100,000—made them a present of it—but the conditions, so far as the floods are concerned, are just the same and those conditions will have to be met later.

Those people can not get cars to ship out their products. We had a snowstorm unparalleled, with the exception of one, in 40 years' experience, in last October. Their stock was standing out in the snow shivering and they were shrinking and shrinking for want of feed, and they could not get the cars to ship them out. You gentlemen know all about that. I hope that you gentlemen will do what you can about this. That may be an administrative function; I know that, but I know you are with us. If that is the remedy, give us those terminal elevators.

But as to the feeling of the country, we do not want the strings cut from the money. You have appropriated billions to Europe and I have seen farmers bring in grain a distance of 30 miles and carry back a part of a sack of flour, because our people were told they had to do it for the Government, and when they are told to do something by the Government they act as they are told by the Government. I have seen farmers that were hard up come into Thief River Falls with their teams and bring back a part of a sack of flour, because they could not have more than a part. I was out there myself,

at my age, with a team trying to raise grain, and I wrote them and told them I had a sack of flour and would bring it in if they wanted it, but would not waste two days when, on the 1st of May, I would have to go back and get it again. I did not think that was good business, but I want to show you gentlemen how conscientious those people are and how they feel about those things. I want you to know that. They bought bonds and borrowed the money with which to buy them. They did everything in their power to carry on the war, and yet they feel there has been money given by billions, and there is some talk of making a present of this money to other countries for business purposes. It might be good business to do it. I am not saying it is not, but if you are lending them the money we do not want the strings to it cut.

The CHAIRMAN. A very patriotic speech.

Mr. JACOBSON. In behalf of the Northwest and the delegation we have with us, we want to thank you very much for permitting us to appear before your committee at this very busy time, and I know you will consider this bill in the way it should be considered, and we hope in some way to get relief.

The CHAIRMAN. We are very glad to have heard you, and every member of the committee is deeply interested in reaching a solution of this transportation problem.

(Whereupon the hearing was adjourned.)